

## Message Text

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ACTION NEA-06

INFO OCT-01 SS-14 ISO-00 EA-07 EUR-10 NSC-07 NSCE-00

CIAE-00 INR-05 NSAE-00 RSC-01 SP-02 SAJ-01 L-01 PM-03

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R 111440Z OCT 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 4468

INFO AMEMBASSY COLOMBO

AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY RANGOON

AMEMBASSY TEHRAN

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL HONG KONG

AMCONSUL MADRAS

USLO PEKING

CINCPAC FOR POLAD

C O N F I D E N T I A L SECTION 1 OF 2 NEW DELHI 13674

LIMDIS

E. O. 11652: GDS

TAGS: PFOR, IN, UR

SUBJECT: INDO-SOVIET RELATIONS - ASSESSMENT ON THE EVE OF  
THE SECRETARY'S VISIT

1. SUMMARY: THE INDO-SOVIET RELATIONSHIP, A PROMINENT FEATURE  
OF INDIAN FOREIGN POLICY SINCE THE MID-1960'S, HAS LOST  
SOME OF ITS MOMENTUM IN 1974. THE RELATIONSHIP, CODIFIED  
IN THE 1971 FRIENDSHIP TREATY, CONTINUES TO BE FIRMLY UNDER-  
PINNED BY A MUTUAL CONCERN ABOUT CHINA, AND INDIAN RELIANCE  
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ON SUPPLIES OF SOVIET WEAPONS, BUT THE OUTER LIMITS OF

COOPERATION HAVE COME INTO VIEW. WITH THE EXCEPTION OF THE GRAIN LOAN LAST FALL, INDIAN SOLICITATION OF SOVIET FRIENDSHIP HAS NOT PRODUCED ANY SPECTACULAR ECONOMIC BENEFITS FOR INDIA SINCE THE 1960'S. THE SOVIETS EXPRESS DISMAY ABOUT INDIA'S DETERIORATING ECONOMIC SITUATION AND CAN BE EXPECTED TO REMAIN CAUTIOUS ABOUT NEW COMMITMENTS. THE GOI FOR ITS PART IS SEEKING GREATER BALANCE IN FOREIGN POLICY, RESULTING IN SOME DELIBERATE DOWNPLAYING OF LINKS WITH MOSCOW. END SUMMARY.

2. A CLOSE INDO-SOVIET RELATIONSHIP HAS BEEN A PROMINENT FEATURE OF THE GOI'S FOREIGN POLICY SINCE THE MID-1960'S, THE CROWNING SYMBOL BEING THE AUGUST 1971 FRIENDSHIP TREATY. INDIA HAS BECOME FIRMLY ESTABLISHED AS THE USSR'S LARGEST TRADING PARTNER AMONG DEVELOPING COUNTRIES, AND IN RECENT YEARS HAS RECEIVED MORE MILITARY ASSISTANCE THAN ANY OTHER LDC OUTSIDE OF THE MIDDLE EAST. NUMEROUS SPECIFIC AGREEMENTS HAVE BEEN SIGNED AND DELEGATIONS AND GOOD WILL GESTURES FREELY EXCHANGED. AN EXTENSIVE WEB OF RELATIONSHIPS HAS DEVELOPED SINCE 1966 AND PARTICULARLY AFTER THE CONGRESS PARTY SPLIT IN 1969. THESE RELATIONSHIPS HAVE BOTH CAPITALIZED ON AND IN TURN REINFORCED A CLIMATE OF OPINION FAVORABLE TO THE SOVIETS AMONG LITERATE INDIANS: A LATE 1973 PUBLIC OPINION POLL CONDUCTED HERE IN FOUR URBAN AREAS CONFIRMED THAT THE SOVIET UNION WAS HELD IN MUCH HIGHER OPINION THAN THE US.

3. HOWEVER THE INDO-SOVIET ADVANCE TOWARDS CLOSER COOPERATION NOW APPEARS TO BE LOSING MOMENTUM. INDIA CONTINUES TO RELY ON THE SOVIETS FOR MUCH OF ITS SOPHISTICATED ARMS INVENTORY AS WELL AS FOR POLITICAL AND POTENTIAL MILITARY SUPPORT IN ITS RELATIONS WITH CHINA AND PAKISTAN. BUT SECURITY CONSIDERATIONS ARE LESS PRESSING NOW THAN IN 1971, THE SIMLA PROCESS HAS RESUMED, AND THE GOI HAS TURNED INCREASINGLY TO DEVELOPING FOREIGN POLICY OPTIONS WITH STATES OF WHOSE MOTIVES THE SOVIETS ARE DEEPLY SUSPICIOUS, PARTICULARLY THE US AND IRAN. AT THE SAME TIME MRS. GANDHI'S RELIANCE ON HER DOMESTIC COMMUNIST ALLIES HAS DECLINED WHILE HER INTERNAL POLITICAL AND ECONOMIC PROBLEMS HAVE MULTIPLIED. FOR ITS PART THE USSR HAS EDGED TOWARD A POSTURE OF GREATER DISTANCE WHICH HAS NOT BEEN LOST ON INDIAN OFFICIALS. THE INDIAN COMMUNIST PARTY (CPI) HAS BECOME MORE OPENLY CRITICAL

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OF "RIGHTIST TENDENCIES" IN GOVERNMENT POLICIES, AND SOVIET PROPAGANDA ORGANS ARE INCREASINGLY STRIKING THE SAME TUNE FROM MOSCOW.

4. WITH THE IMPORTANT EXCEPTION OF THE FIVE YEAR LOAN OF TWO MILLION TONS OF GRAIN IN SEPTEMBER 1973, INDIAN SOLICITATION OF SOVIET FRIENDSHIP HAS PRODUCED NO SPECTACULAR ECONOMIC BENEFITS SINCE THE GREAT INDUSTRIAL DEVELOPMENT PROJECTS OF

THE 60'S. RECENT YEARS HAVE SEEN A TRICKLE OF LESS THAN \$20 MILLION ANNUALLY IN SOVIET ECONOMIC AID PLUS ROUGHLY \$100 MILLION A YEAR IN MILITARY AID DELIVERIES, WHILE SERVICE ON SOVIET DEBT - BOTH CIVILIAN AND MILITARY - HAS RISEN TO A LEVEL OF \$240 MILLION IN 1974. FOR THREE YEARS, SINCE 1970/71, MASSIVE INDIAN SURPLUSES ON BILATERAL TRADE ACCOUNT HAVE GENERATED THE RUPEES NEEDED TO PAY THE DEBT SERVICE BILL AND FINANCE WHATEVER NEEDED COMMODITIES (STEEL, COPPER, KEROSENE, NEWSPRINT AND FERTILIZER) INDIA HAS BEEN ABLE TO PRY OUT OF MOSCOW. BUT THE SOVIETS HAVE RAISED THE PRICE OF THESE IMPORTS SHARPLY APACE WITH PRICE RISES ON WORLD MARKETS, PUTTING SUCH A SQUEEZE ON THE INDIAN BILATERAL TRADE SURPLUS THAT IT FELL SHARPLY TO \$34 MILLION IN INDIAN FISCAL YEAR 1973/74 FROM \$238 MILLION THE YEAR BEFORE. AGAINST THIS BACKGROUND INDIA WENT TO A SEPTEMBER 1974 MEETING OF THE INDO-SOVIET JOINT ECONOMIC COMMISSION IN MOSCOW HOPEFUL OF OBTAINING CREDITS FROM THE SOVIETS TO FINANCE COMMODITY IMPORTS AND EASE THE PAYMENTS BIND. THE RUSSIANS APPARENTLY MADE NO COMMITMENTS, AND THE INDIANS RETURNED TO NEW DELHI WITH NO ALTERNATIVE BUT TO CURB THEIR APPETITE FOR BASIC COMMODITY IMPORTS AND STEP UP EXPORTS TO THE SOVIET UNION.

5. EARLY IN THE SUMMER OF 1974 THE INDIANS BEGAN FEELING THE SOVIETS OUT ON POSSIBLE NEW GRAIN LOANS FOR THIS YEAR. INDIA STATED ITS REQUIREMENTS AS 4 MILLION TONS, ALTHOUGH INDIAN OFFICIALS SAY NO FORMAL REQUEST FOR SUCH AID WAS MADE. THE SOVIETS PROFESSED AN INABILITY TO MAKE A COMMITMENT THEN AND HAVE APPARENTLY MAINTAINED THAT STAND UNTIL NOW, DESPITE REMINDERS IN SEPTEMBER BY THE FOREIGN AND PLANNING MINISTERS OF INDIA'S NEEDS. WHAT THE SOVIETS WILL DO IS STILL UNCERTAIN.

6. SOME LOSS OF MOMENTUM IN THE POLITICAL RELATIONSHIP IS ALSO EVIDENT. LAST YEAR CONCLUDED WITH A SUMMIT. THIS YEAR  
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MRS. GANDHI HAS LET SEVERAL OCCASIONS SLIP TO GO TO MOSCOW AND IT IS UNCERTAIN WHETHER SHE WILL VISIT THE SOVIET UNION AT ALL IN 1974. THERE HAVE BEEN A NUMBER OF MINISTERIAL-LEVEL VISITS TO MOSCOW THIS YEAR - THE DEFENSE, FINANCE, PLANNING, PETROLEUM AND FOREIGN MINISTERS HAVE ALL GONE, BUT THE COMMUNIQUE AND STATEMENTS WHICH FOLLOWED BROKE NO NEW GROUND AND THE ECONOMIC RETURNS HAVE BEEN MARGINAL AT BEST. THE SOVIETS GAVE PUBLIC SUPPORT TO INDIA'S PNE BUT PRIVATELY THEY HAVE BEEN CRITICAL, AND INDIAN OFFICIALS DO NOT SEEM ESPECIALLY CONFIDENT THAT SUCH SUPPORT TRANSLATES INTO AN OPEN-ENDED KREMLIN ENDORSEMENT OF FUTURE PNE PROJECTS. EXTERNAL AFFAIRS OFFICIALS SENSE THE DRIFT IN THE POLITICAL RELATIONSHIP. A DEPUTY SECRETARY IN THE EAST EUROPE DIVISION RECENTLY IDENTIFIED A MORE SOLICITOUS SOVIET POSTURE ON PAKISTAN AS ONE MATTER OF CURRENT CONCERN

TO THE GOI. INDIAN OFFICIALS ARE ACUTELY AWARE OF THE EXTENDED  
SOVIET FLIRTATION WITH PAKISTAN IN THE LATE 1960'S. BHUTTO'S  
VISIT TO MOSCOW LATER THIS MONTH WILL ACCORDINGLY RECEIVED  
THE CLOSEST ATTENTION IN NEW DELHI.

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C O N F I D E N T I A L SECTION 2 OF 2 NEW DELHI 13674

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7. GOI LEADERS ARE MOST CERTAINLY AWARE THAT THEIR EFFORTS IN  
THE LAST YEAR TO ACHIEVE GREATER "BALANCE" IN INDIA'S FOREIGN  
POLICY HAS RESULTED IN SOME DELIBERATE DOWNPLAYING OF THE  
SOVIET RELATIONSHIP AND HAS ANNOYED THE RUSSIANS. PUBLICLY,  
SOVIET OFFICIALS HERE HAVE ADOPTED A POSTURE OF INDIFFERENCE AT  
THE GOI'S EFFORTS TO STRIKE A NEW BALANCE. BUT THE PRO-SOVIET  
CPI AND ITS DEPENDENT PRESS ORGANS HAVE BEEN STEPPING UP ANTI-  
US STORIES (NEW DELHI 13195 NOTAL, THE SOVIET RADIO AND PRESS

HAVE BEEN CRITICIZING RIGHT-WING FORCES IN INDIA, AND PRIVATELY SOVIET DIPLOMATS DO SHOW CONCERN. AFTER SWARAN SINGH'S FIVE-DAY VISIT TO SEOUL IN AUGUST, THE SEA EXPERT AT THE SOVIET EMBASSY MADE A NUISANCE OF HIMSELF TRYING TO FIND OUT WHAT THE

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VISIT PORTENDED FOR INDIA'S NON-ALIGNMENT. NOT SURPRISINGLY SOVIET EMBASSY OFFICERS HAVE FOR SEVERAL MONTHS BEEN ASKING QUESTIONS ABOUT THE IMPLICATIONS OF THE SECRETARY'S VISIT.

8. IT IS POSSIBLE THAT SOVIET "FOOT-DRAGGING" ON ECONOMIC RELATIONS WITH INDIA MAY BE TIMED OR DESIGNED TO CAUTION INDIA ON ITS RELATIONS WITH THE US. SOVIET OFFICIALS IN NEW DELHI WHO IN JULY/AUGUST PRIVATELY THOUGHT THEIR GOVERNMENT WOULD MAKE CLEAR WHAT FOOD ASSISTANCE IT COULD OFFER INDIA BY MID-SEPTEMBER, CURIOUSLY SHIFTED THE DATE WHEN SUCH "CLARIFICATION" WOULD BE OFFERED BACK TO LATE OCTOBER AFTER THE SECRETARY'S PLANS FOR AN EARLY SEPTEMBER VISIT WERE POSTPONED. THE RUSSIANS HAVE THREE OPTIONS: TO OFFER GRAIN BEFORE THE SECRETARY COMES - AND ATTEMPT TO STEAL THE SCENE; TO OFFER IT AFTER HE COMES - AND TOP WHATEVER IF ANYTHING, THE US OFFERS; OR TO SIT TIGHT AND STILL TRY TO CONVEY THE MESSAGE THAT THE INDIANS NEED MOSCOW MORE THAN MOSCOW NEEDS INDIA.

9. THE INDIANS ARE CAUGHT IN A CLEFT STICK. THEY DO NEED MOSCOW. CHINESE POSTURING OVER SIKKIM, EVEN IF ONLY THAT, HAS AGAIN RAISED THE PROBLEM OF THE CHINESE THREAT WHICH PRECIPITATED THE SIGNING OF THE FRIENDSHIP TREATY IN 1971. SOVIET PRICES FOR MILITARY GOODS ARE HIGH AND THE EQUIPMENT NOT ALWAYS WHAT THE INDIAN MILITARY WANTS. BUT IT IS AVAILABLE FOR RUPEES AND EUROPEAN EQUIPMENT IS NOT. THE TRADE RELATIONSHIP IS NOT INDISPENSABLE BUT DOES PAY THE BILLS FOR MILITARY EQUIPMENT AND MODEST IMPORTS OF BADLY NEEDED COMMODITIES. NOR DOES DELHI WANT TO RISK MOSCOW'S TURNING TO WOO PAKISTAN WITH CAKES AND MISSILES.

10. FOR THEIR PART, THE SOVIETS CONTINUE TO VALUE INDIA FOR ITS GEOPOLITICAL POSITION (A THEME ALL RUSSIANS HERE EMPHASIZE ALTHOUGH WITHOUT MUCH DETAILED ANALYSIS), ITS INDUSTRIAL POTENTIAL, ITS STANDING AMONG THE NON-ALIGNED COUNTRIES, AND PROBABLY, BECAUSE IT IS NOW A "NUCLEAR" STATE. THE SOVIETS HAVE A LONG-STANDING COMMITMENT IN INDIA AND WON'T READILY SQUANDER IT. INDEED, THEIR IRRITATION NOW IS CAUSED BY SUSPICION THAT OTHERS ARE POACHING ON ITS TURF. THE SOVIETS WILL PROBABLY REMAIN CAUTIOUS ABOUT UNDERTAKING NEW COMMITMENTS. SOVIET OFFICIALS HERE MAKE LITTLE SECRET OF THEIR DISMAY AT THE CONDITION OF THE ECONOMY, WHICH

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THEY ASCRIBE TO THE WIDESPREAD INFLUENCE OF CAPITALIST INSTITUTIONS, BUT WHICH PRIVATELY SOME ARE WILLING TO ATTRIBUTE SIMPLY TO THE INDIAN WAY OF DOING THINGS. THE SOVIET EMBASSY'S ECONOMIC COUNSELOR SAID AS MUCH IN A WIDELY PUBLICIZED IMPROMPTU PRESS CONFERENCE IN APRIL 1974 BEFORE BEING TRANSFERRED TO MOSCOW. VISITING SOVIET MINISTERS SHARE THE CONCERN (NEW DELHI 12364) AND IT HAS EVEN FOUND EXPRESSION IN PRAVDA (MOSCOW 12622.) NEEDLESS TO SAY MRS. GANDHI'S GOVERNMENT CAN BE EXPECTED TO CONTINUE TO PRESS MOSCOW FOR WHATEVER ECONOMIC HELP IT CAN GET FROM THE SOVIETS.

11. THE US INTEREST: IF A US OBJECTIVE IN THIS PART OF THE WORLD IS TO SEE INDIA MOVE BACK INTO A POSITION OF GREATER BALANCE AND APPROXIMATE "EQUIDISTANCE" AMONG THE MAJOR POWERS, THAT IS WHAT SEEMS TO US TO HAVE BEEN HAPPENING IN THE LAST YEAR. THE INDIANS ARE DOING WHAT THEY WISH TO DO ANYWAY, AND US (AND IRANIAN) POLICY, COMBINED WITH MRS. GANDHI'S ANNOYANCE AT BAD ADVICE GIVEN HER BY DOMESTIC "LEFTIST" COUNSELORS, HAVE FACILITATED THE PROCESS. CHINESE POLICY HAS BEEN LESS HELPFUL IN THIS REGARD AND COULD PUT SOME MOMENTUM BACK INTO THE INDO-SOVIET RELATIONSHIP. A YUGOSLAV DIPLOMAT RECENTLY SAID EXACTLY THIS TO THE CHINESE CHARGE D'AFFAIRS BUT ELICITED ONLY A SMILE.  
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